

Sanitized - Approved For Release : CIA-RDP75-00001R000300080006-1

JUL 19 1967

CPYRGHT

A HUGE BUSINESS ARMAMENT SALES

**U.S. Is Principal Source of
Weapons for Other Lands
—46-Billion in 17 Years**

*This is the first of a series of
articles on international deal-
ings in arms.*

By NEIL SHEEHAN
Special to The New York Times

WASHINGTON, July 18

The five belligerents in the Middle Eastern war — Israel, the United Arab Republic, Syria, Jordan and Iraq — altogether had about 3,300 tanks more than Hitler employed in the invasion of France in 1940.

Nazi Germany manufactured its own tanks. The Middle Eastern combatants did not. They obtained theirs from the Soviet Union, Britain, France and the United States. Their warplanes, artillery, trucks, signal equipment and the great bulk of their small arms and ammunition were supplied by the same sources.

With these foreign arms, 679 of Egyptians, Jordanians, Syrians and Iraqis were killed. In Sinai, Israel's French-built Mirage and Mystere jets destroyed the Egyptians' Soviet MIG-21 fighters and Ilyushin bombers. On the Jordanian front, both Israelis and Jordanians drove into battle in American-made Patton and Sherman tanks.

The Middle East is only one of several troubled underdeveloped regions where wars

have been fought, or may be fought, with foreign weaponry. The United States, which shared third place with Britain and followed the Soviet Union and France as a supplier to Israel and the Arab countries, has been the principal source of arms for the whole world.

In late April, two portly men in the international arms sales business, one a millionaire and the other a \$25,000-a-year Defense Department official, were sitting in a sparsely furnished office on the fourth floor of the Pentagon when the telephone rang.

Henry J. Kuss Jr., the civil servant, picked up the telephone. In a few minutes he had arranged the final details of a \$40-million weapons sale. His listening visitor was Samuel Cummings, the founder, owner and president of the International Armaments Corporation and the world's leading private seller of arms.

"We don't get many deals like that," Mr. Cummings said later.

From mid-1949 through June, 1966, the United States sold \$16.1-billion in weaponry and gave away \$30.2-billion more in arms and military equipment. The \$46.3-billion total, which does not include private sales arranged outside of Mr. Kuss's office, is about \$4-billion more than all the grants and loans under the regular economic assistance program since the middle of 1948, including the Marshall Plan.

Exceeds Army Stocks

The export of rifles, carbines and submachine guns alone is more than enough to provide a gun for each of the 3.3-million men on active duty in the United States Army, Navy, Air Force and Marine Corps. The 19,827 tanks exported are substantially more than the Army has in its active and reserve inventories.

Under the guidance of Mr. Kuss, the export pattern has also been radically altered over the last six years. Where grant aid accounted for most exports in the late fifties, sales now outnumber grants by more than 200 per cent.

Between mid-1961 and June, 1966, Mr. Kuss and his assistants have sold \$11.1-billion in weaponry, 89 per cent to North Atlantic Treaty Organization allies and to Australia and Japan. Sales fell to \$1.5-billion in the fiscal year closed June 30, 1967, but Mr. Kuss intends to recoup and to maintain a volume of about \$2-billion a year until 1975.

The sales plus grant aid have made the United States Government the world's leading supplier of arms—nearly \$3-billion a year.

Since World War II, the marriage of Government and the armaments industry into the so-called military-industrial complex has transformed the international arms trade. The private arms salesman is a midget compared with the Government salesman. Mr. Cummings's annual sales are, he says, well below \$100-million, an obviously substantial amount but a pittance beside the Government business.

The Government defends its sales as a means of arming allies against the Communist military threat, promoting overseas political interests and easing the gold drain.

As the cold war atmosphere has dissipated, the Government's salesmanship has come under attack.

The Arab-Israeli war has been seized by upon by critics as evidence that the United States, with the Soviet Union and the other arms-exporting nations, has promoted arms races in the Middle East, Asia and Africa, fostering regional instability and encouraging local wars.

Foreign Exchange Diverted

The flow of arms, these critics assert, also impedes social and economic progress by diverting precious foreign exchange from development projects.

"If nothing else," said Senator Eugene J. McCarthy, Democrat of Minnesota and a persistent critic of arms shipments, "the Arab-Israeli war should convince us to re-examine our entire arms sales and military assistance programs."

What motivates these arms sales? For Mr. Cummings the answer is simple—profit. He has no illusions about the effects of a trade that has netted him millions over the last 14 years in second-hand arms deals.

"You get rather cynical in this business," he said.

From his headquarters in Monaco, Mr. Cummings sells about a quarter of a million small arms and small cannons—everything from pistols to 20-mm. guns—each year to sportsmen, collectors and non-Communist foreign police forces and armies.

One enterprising safe-cracker used a 20-mm. antitank cannon he bought from International Armaments to blast open a Brinks Company vault in Syracuse in October, 1965.

Mr. Cummings's company, with 17 affiliates and subsidiaries, also acts as a broker for the sale of larger items, such as tanks and jet fighter-bombers, from one country to another.

Mr. Cummings explained that he did not manufacture arms. He simply takes advantage of the world's arms races to buy and sell the surplus

that result when a new generation of weapons replaces older models. His sales are approved in advance by the British or United States Governments.

Defense Department statistics on the flow of Government arms from the United States over the last 18 years give substance to his explanation. Among these exports are 16,630 aircraft, including 8,300 jet fighter-bombers; 38 destroyers, 24 submarines, 258 destroyer escorts and three aircraft carriers; 19,827 tanks and 3,055 other armored assault vehicles; 1.4 million carbines, 2.1 million rifles, 28,496 submachine guns, 71,174 machine guns and 30,668 mortars, 26,845 artillery pieces and recoilless guns of all types, and 45,360 missiles, including 14,251 of the air-to-air heat-seeking type in use over North Vietnam.

More Surpluses Due

Mr. Cummings noted that some 5,000 tanks and about 1,000 jet fighter-bombers would enter the European surplus market by 1970.

He already has customers who are eager to acquire these items in Asia, the Middle East and Latin America. The Government's sales add to this surplus constantly and create pressure on Europeans to recover the foreign exchange spent on American weaponry by selling their second-hand arms elsewhere. For Mr. Kuss, the Government salesman, the sales motivation is different. He epitomizes the transformation of the international arms business, from a primarily private to a predominantly Government business since World War II. A trained civil servant who has spent 23 years in Government employ, he finds the impetus for his work in the bidding of his Government and in his desire to perform his task well.

Title Is Complicated

His title is Deputy Assistant Secretary of Defense for International Logistics Negotiations and he refers to his work as the "promotion of mutual security."

Mr. Kuss asserts that the two principal objectives are to "promote the defensive strength of our allies" and to ease logistics problems by fostering common weapons systems. It is apparent that, when he has his way, such common weapons systems are largely American-designed.

He concedes that "we also have a balance-of-payments problem," but relegates this to third place as reason for the sales.

Continued

Sanitized - Approved For Release : CIA-RDP75-00001R000300080006-1

But sales earn dollars, easing the gold drain and helping the United States maintain large troop deployments overseas. Without the dollars, the pressure on the Administration from Congress to reduce troop commitments would undoubtedly increase. As Secretary of Defense Robert S. McNamara remarked in Congressional testimony last year, the arms sales are made "for gold, if you will."

20 Companies Profit

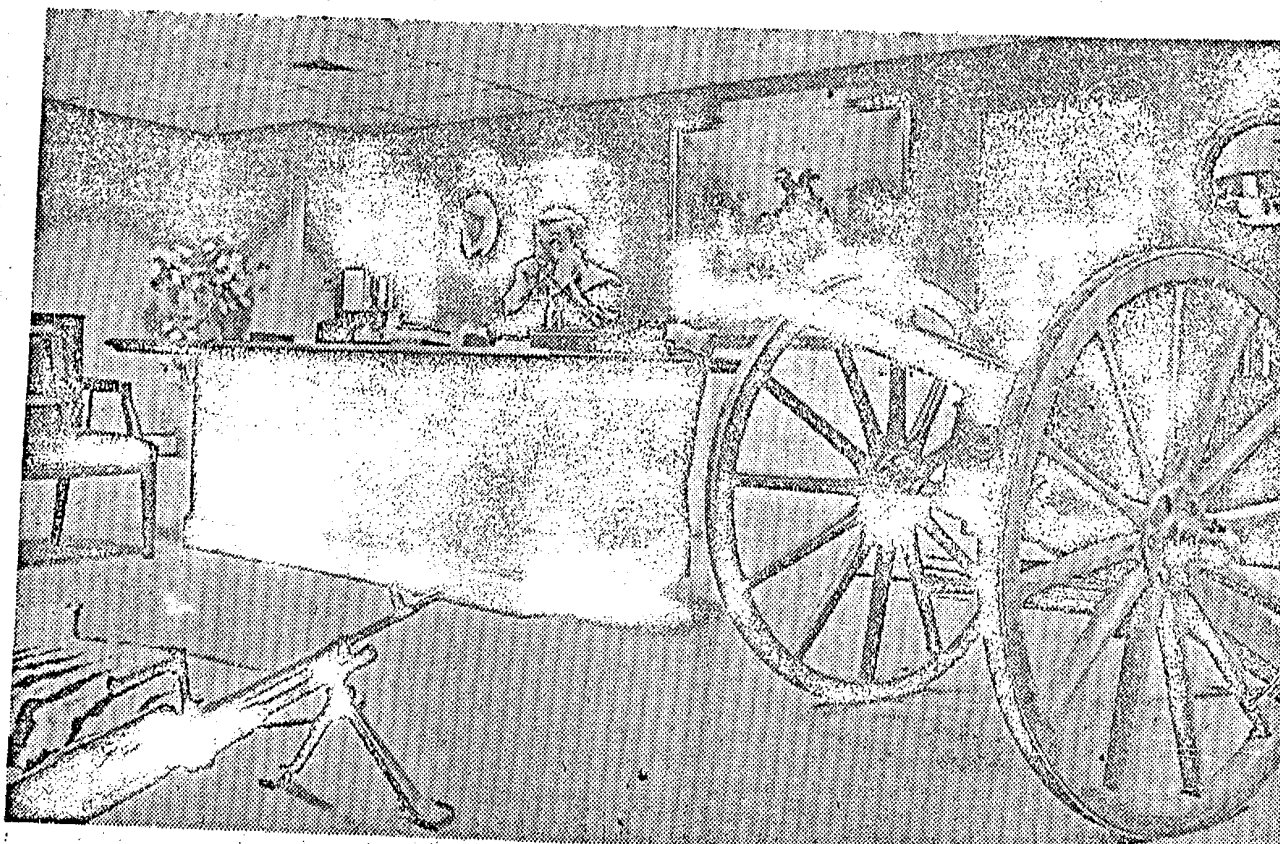
Because weapons exports constitute less than 5 per cent of the total American defense business, the profits earned for the 20 major United States armaments companies are often overlooked.

CPYRGHT

The sale to Britain, concluded last year, of \$2-billion in advanced F-111 multipurpose attack jets, F-4 Phantom fighter-bombers and C-130 Hercules transport aircraft has brought sizable contracts for General Dynamics, McDonnell and Lockheed Aircraft, which manufacture the planes.

In a speech in the spring of last year to the World Affairs Council in Los Angeles, Mr. Kuss said that the more than \$9-billion in sales he had made by then would bring nearly \$1-billion in profits to American industry and about 1.2 million man-years of employment spread through the 50 states and the District of Columbia.

*Tomorrow:
How the Government
Promotes Arms Sale*



PRIVATE WEAPONS DEALER: Samuel Cummings, founder and president of the International Armaments Corporation, in his Alexandria, Va., office. The Concern is the world's leading private merchant of military hardware.

The New York Times (by George Tames)

NEW YORK TIMES

JUL 19 1967